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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

ASIAN DEVELOPMENT BANK (ADDITIONAL SUBSCRIPTION) BILL 1983

EXPLANATORY MEMORANDUM

(Circulated by Authority of the Treasurer, the Hon P.J. Keating, MP)

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OUTLINE

In April 1983, the Board of Governors of the Asian Development Bank adopted Resolution No 158 (Increase in Authorized Capital Stock and Subscriptions thereto) which increased the Bank's authorized capital stock by 754,750 shares and authorized the acceptance of increases in individual Members' subscriptions. A copy of the Resolution and associated schedule detailing the shares allocated for subscription is attached.

This Bill empowers the Treasurer to make the necessary agreement with the Asian Development Bank for the purchase by Australia of its entitlement of 2,622 additional paid-in shares and 49,811 additional callable shares, of the capital stock of the Bank.

The Bill empowers the Treasurer to make this agreement on such terms and conditions as the Treasurer determines and, where appropriate, to issue promissory notes to the Bank in payment. The Bill also appropriates the funds necessary to make payments under such agreement.

NOTES ON CLAUSES

Clause 1 - Short Title

Self-explanatory.

Clause 2 - Commencement

Self-explanatory.

Clause 3 - Interpretation

Self-explanatory.

Clause 4 - Agreement for Purchase of Additional Shares

To subscribe to the capital increase, the Treasurer, as Governor for Australia of the Bank, is required to submit, before 31 May 1984, to the Bank, an "Instrument of Subscription" setting out the number of additional paid-in and callable shares to which Australia will subscribe on the terms and conditions laid down in the Resolution. The Treasurer is also required to provide representation that all action necessary to authorise the subscription has been taken and to undertake to furnish to the Bank such information concerning the action as it may request.

Under the Resolution, Australia is entitled to subscribe to 2,622 paid-in shares valued at \$US31.63 million and 49,811 callable shares valued at \$US600.89 million*.

Payment for the paid-in shares is required to be made at the option of the subscribing member, either in 5 equal annual instalments beginning from 1983 or in 4 equal annual instalments beginning from 1984. It is intended that the former option will be exercised. The first instalment is to be paid within 90 days after the date on which the subscription becomes effective, ie of notification by the Bank that the documentation required to be lodged is satisfactory to the Bank. Remaining instalments are to be paid not later than the anniversary of the first payment date. Of each instalment, the subscribing member shall pay 40 per cent in convertible currency and 60 per cent in the currency of the subscribing member. (For the purposes of such payments, the Australian dollar is deemed to be a convertible currency). In respect of the 60 per cent portion, under the Articles of Agreement of the Bank, this can be paid either in cash or by substituting non-negotiable, non-interest bearing promissory notes for the amount.

Payment in respect of the callable shares of Australia's subscription may be called only if required by the Bank to meet its obligations in respect of borrowings and guarantees. If the Bank continues to operate successfully in the future - as we have every reason to expect that it will - this situation is not expected to arise. In practice, the callable capital of the Bank serves as security for its extensive borrowing operations on world capital markets. No calls have been made on this part of the Bank's capital in the past.

Clause 5 - Issue of Promissory Notes

This clause provides the Treasurer with the authority to issue promissory notes to the Bank. Sub-clause 5(3) provides that Section 5 of the Asian Development Bank Act 1966, which relates to authorization of the issue of securities by the Governor-General, does not apply in relation to payments made under an agreement made under Sub-section 4(1).

Clause 6 - Appropriation

Self-explanatory

* The Bank's Articles of Agreement provide for the Bank's capital stock to be valued in terms of the US dollar of the weight and fineness in effect on 31 January 1966. Since 1 April 1978, the effective date of the Second Amendment of the IMF Articles of Agreement, currencies no longer have par value in terms of gold and the pre-existing basis for translating the 1966 US dollars into members' currencies has ceased to exist. Pending a decision on the question of valuation of the Bank's capital stock, payment in respect of capital subscriptions under this Resolution shall be made, at the option of the subscribing member:

- (i) in terms of 12,063.50 current US dollars per share; or
- (ii) in terms of 10,000 Special Drawing Rights (SDR) per share, with SDR's translated into currencies at exchange rates prevailing on the date on which the payment is due. (Or, if the subscribing member at the time of initial subscription so elects for all paid-in shares, on the basis of the applicable exchange rates as of 30 September 1982).

All payments made pursuant to the above provisions shall be subject to adjustment when the question of valuation of the Bank's capital stock is resolved.

RESOLUTION NO. 158

INCREASE IN AUTHORIZED CAPITAL STOCK
AND SUBSCRIPTIONS THERETO

WHEREAS:

The Board of Directors of the Bank, having undertaken a study of the Bank's future resource requirements in accordance with Resolution No. 134 of the Board of Governors, has submitted a Report thereon to the Board of Governors;

The Board of Governors, having considered such Report and being in agreement with the findings of the Board of Directors incorporated in that Report, has concluded that it is necessary to increase the authorized capital stock of the Bank;

The value of the capital stock of the Bank is expressed in the Articles of Agreement of the Bank "in terms of United States dollars of the weight and fineness in effect on 31 January 1966" (1966 dollars), but the pre-existing legal basis for translating 1966 dollars into current United States dollars or into any other currency has ceased to exist and no decision has been made on the appropriate successor to the 1966 dollar;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES THAT:

The authorized capital stock of the Bank be increased and the shares of capital stock so increased be made available for subscription on the following terms and conditions:

1. Increase in Authorized Capital Stock

1(a) The authorized capital stock of the Bank shall, on the Effective Date as defined in paragraph 4(a) of this Resolution, be increased by 754,750 shares, each share having a par value of \$10,000 in terms of United States dollars of the weight and fineness in effect on 31 January 1966.

1(b) Of the shares authorized by this Resolution, the number of whole shares up to, but not in excess of, 105 per cent of the shares subscribed by each member immediately prior to the Effective Date, shall be made available for subscription by members in accordance with paragraph 2 of this Resolution.

1(c) The shares authorized by this Resolution which shall not have been subscribed to in accordance with paragraph 2 of this Resolution shall be reserved for initial subscriptions by new members and for special increases in the subscriptions of individual members, as may be determined by the Board of Governors pursuant to paragraphs 1 and 3 of Article 5 of the Articles of Agreement of the Bank.

2. Subscriptions

2(a) Each member shall be entitled to subscribe, at par, a number of whole shares up to, but not in excess of, 105 per cent of the number of shares subscribed by such member, immediately prior to the Effective Date. Each such subscription shall be on the terms and conditions set forth in this Resolution, and in all events shall comprise paid-in and callable shares in such proportions that 5 per cent (as near as may be) of the shares subscribed shall be whole paid-in shares and the balance shall be callable shares.

2(b) Each member wishing to subscribe pursuant to this Resolution shall deposit with the Bank the following documents in a form acceptable to the Bank:

- (i) an instrument of subscription whereby the member subscribes to the number of paid-in and callable shares specified in such instrument;
- (ii) a representation that the member has duly taken all legislative and other internal action necessary to enable it to make such subscription; and

- (iii) an undertaking that the member will furnish such information as the Bank may request concerning such action.

Such documents shall be deposited on or before 31 May 1984 or such later date as the Board of Directors may determine.

2(c) Each instrument of subscription shall become effective and the subscription thereunder shall be deemed to have been made on the date on which the Bank notifies the subscribing member that the documents deposited by such member pursuant to paragraph 2(b) of this Resolution are satisfactory to the Bank.

3. Payment for Paid-in Shares

3(a) Except as otherwise determined by the Board of Directors, payment for the paid-in shares subscribed pursuant to this Resolution shall be made, at the option of the subscribing member, either in 5 equal annual instalments beginning from 1983 or in 4 equal annual instalments beginning from 1984, provided that:

- (i) the first instalment shall be paid within 90 days after the date on which the member's subscription becomes effective pursuant to paragraph 2(c) of this Resolution, and the remaining instalments shall be paid not later than the anniversary of the first payment date; and
- (ii) a member may, after consultation with the Bank, make payments on terms more favorable to the Bank than those stipulated in the foregoing provisions of this paragraph.

3(b) Of each instalment, the subscribing member shall pay:

- (i) 40 per cent in a convertible currency which, where such currency is not that of the subscribing member, shall be selected by the member in consultation with the Bank; such payment shall be deemed payable and paid under Article 6, paragraph 2(a), of the Articles of Agreement of the Bank; and

- (ii) 60 per cent in the currency of the subscribing member; such payment shall be deemed payable and paid under Article 6, paragraph 2(b), of the Articles of Agreement of the Bank.

3(c) Pending a decision on the question of valuation of the Bank's capital stock, payment for the paid-in shares subscribed pursuant to this Resolution shall be made, at the option of the subscribing member:

- (i) in terms of 12,063.50 current United States dollars per share; or
- (ii) in terms of 10,000 Special Drawing Rights (SDR) per share, with SDRs translated into currencies at exchange rates prevailing on the date on which the payment is due, provided that the subscribing member may, by notice to the Bank at the time of initial subscription, elect to pay, for all of its paid-in shares, on the basis of the applicable exchange rates as of 30 September 1982.

All payments made pursuant to the foregoing provisions of this paragraph shall be subject to adjustment when the question of valuation of the Bank's capital stock is resolved.

3(d) Except as otherwise determined by the Board of Directors, the exchange rate to be applied between different currencies or between the SDR and any currency for the purpose of determining subscription payment amounts under this Resolution shall, subject to the provisions of paragraph 3(c) of this Resolution, be the one used by the Bank for translation purposes in its books of account as of the date on which the payment is due.

4. Other Provisions

4(a) For the purposes of this Resolution, the Effective Date shall be the date on which this Resolution is adopted by the Board of Governors.

4(b) Subject to the provisions of this Resolution, the Articles of Agreement of the Bank shall apply mutatis mutandis to the increase in shares authorized by, and to the subscriptions and payments made under this Resolution as if such shares were part of the original capital stock of the Bank and such subscriptions and payments were initial subscriptions to and payments for such stock.

(Adopted 25 April 1983)

SCHEDULE

Third General Capital Increase: 1/
Shares Allocated for Subscription-

Regional Members	Number of Shares			
	Total ^{2/}		Paid-In ^{3/}	Callable ^{4/}
Afghanistan, Dem. Rep. 5/	2,948.40	2,948	147	2,801
Australia	52,433.85	52,433	2,622	49,811
Bangladesh	9,252.60	9,252	463	8,789
Bhutan	115.50	115	6	109
Burma 5/	4,935.00	4,935	247	4,688
Cambodia 5/	2,158.80	2,158	108	2,050
China, Rep.	9,870.00	9,870	493	9,377
Cook Islands	24.15	24	1	23
Fiji	616.35	616	31	585
Hong Kong	4,935.00	4,935	247	4,688
India	57,368.85	57,368	2,868	54,500
Indonesia	49,350.00	49,350	2,467	46,883
Japan	123,375.00	123,375	6,169	117,206
Kiribati	36.75	36	2	34
Korea, Rep.	45,648.75	45,648	2,282	43,366
Lao Peop. Dem. Rep.	258.30	258	13	245
Malaysia	24,675.00	24,675	1,234	23,441
Maldives	36.75	36	2	34
Nepal	1,332.45	1,332	67	1,265
New Zealand	13,916.70	13,916	696	13,220
Pakistan	19,740.00	19,740	987	18,753
Papua New Guinea	850.50	850	42	808
Philippines	21,590.10	21,590	1,079	20,511
Singapore	3,083.85	3,083	154	2,929
Solomon Islands	60.90	60	3	57
Sri Lanka, Dem. Soc. Rep.	5,255.25	5,255	263	4,992
Thailand	12,337.50	12,337	617	11,720
Tonga	36.75	36	2	34
Vanuatu	60.90	60	3	57
Viet Nam, Soc. Rep.	6,339.90	6,339	317	6,022
Western Samoa	60.90	60	3	57
Total	472,704.75	472,690	23,635	449,055
Non-Regional Members				
Austria	3,083.85	3,083	154	2,929
Belgium	3,083.85	3,083	154	2,929
Canada	47,400.15	47,400	2,370	45,030
Denmark	3,083.85	3,083	154	2,929
Finland	1,233.75	1,233	62	1,171
France	15,421.35	15,421	771	14,650
Germany, Fed. Rep.	39,200.70	39,200	1,960	37,240
Italy	12,337.50	12,337	617	11,720
Netherlands	6,785.10	6,785	339	6,446
Norway	3,083.85	3,083	154	2,929
Sweden	1,233.75	1,233	62	1,171
Switzerland	4,238.85	4,238	212	4,026
United Kingdom	18,506.25	18,506	925	17,581
United States	123,375.00	123,375	6,169	117,206
Total	282,067.80	282,060	14,103	267,957
Grand Total	754,772.55	754,750	37,738	717,012

Notes to the Schedule

1/ For the calculation of the number of shares to be increased, it is assumed (as stated in paragraph 14 above) that all members will have subscribed to the respective shares allocated to them for subscription under the second general capital increase. Accordingly, the proposed increase as calculated in the Schedule is 105 per cent of 718,831 shares which consist of (i) 716,037 shares actually subscribed by members in the past and (ii) 2,794 shares which were allocated to Afghanistan and Cambodia for subscription under the second general capital increase but which have not yet been subscribed by them (see Note 5 below).

2/ The left side of the "total" column in the Schedule shows the calculation, with fractions, of the 105 per cent increase for each member on the basis stated in Note 1 above, and the right side of the same column shows such 105 per cent calculation by omitting the fractions. The exact number of shares to which each member is entitled to subscribe under the proposed increase is as shown on the right side of the column.

3/ The number of paid-in shares is 5 per cent of the shares allocated on the right side of the "total" column. Fractions of shares in excess of 0.50 are rounded to the next higher number.

4/ The number of callable shares is the difference between the total number of allocated shares and the number of paid-in shares determined according to Notes 2 and 3 above. In the event of a member subscribing to a lesser number of shares than those allocated in the Schedule, the ratio of 5 to 95 between paid-in shares and callable shares must be maintained.

5/ The number of shares available for subscription by Afghanistan and Cambodia is based on the assumption that they will have subscribed to the respective shares allocated to them under the second general capital increase before the (extended) deadline for such subscription (see Note 1 above). The number of such allocated shares is 1,613 in the case of Afghanistan and 1,181 in the case of Cambodia. If they do not so subscribe to the second general capital increase, the number of shares available for subscription under the proposed general capital increase would be:

- (a) in the case of Afghanistan, 1254 of which 63 shares would be paid-in and 1,191 shares callable; and
- (b) in the case of Cambodia, 913 of which 46 shares would be paid-in and 872 shares callable.

